

The Board of Supervisors of Maricopa County, Arizona convened at 2:30 P.M., April 4, 2002, in the Tom Sullivan Conference Room, Tenth Floor, 301 W. Jefferson, Phoenix, Arizona, with the following members present: Don Stapley, Chairman; Fulton Brock, Vice Chairman; Max W. Wilson, Mary Rose Wilcox, Fran McCarroll, Clerk of the Board; and Shirley Million, Administrative Coordinator. Absent: Andy Kunasek. Also present: David Smith, County Administrative Officer and Paul Golab, Deputy County Attorney. Votes of the members will be recorded as follows: (aye-no-absent-abstain)

DISCUSSION AND ACTION: THE INTERNATIONAL GENOMIC CONSORTIUM

Item: Maricopa County's participation/contribution in the effort to attract the International Genomic Consortium to Arizona. (ADM 686)

Chairman Stapley opened the meeting by welcoming the attendees including Dr. Michael E. Berens, PhD, of Barrows Neurological Institute; Patrick Grady and Paul T. Katsenes, of the City of Phoenix's Community and Economic Development Department, and Scott Celley, aide to Governor Jane D. Hull. Chairman Stapley's opening remarks reflected his willingness to respond to the request for Maricopa County to participate monetarily in efforts to bring the International Genomic Consortium to Arizona. He said, "I've never had a lack of enthusiasm for the Genomics project, it's just that it couldn't come at a worse time in terms of our financial ability to respond."

David Smith summed up a proposal, should the County decide to move forward with this. He said he had asked Tom Manos, Chief Financial Officer, to do as much research and due diligence as possible since this had come up rather rapidly with little lead-in time. He said, "Mr. Manos will report his findings and make his recommendation with regard to reasonable levels of accountability and deliverables that any investment of public money has the right to ascertain."

Mr. Manos reported that the County had only recently become involved in this matter but he had met and talked with many government officials and members of the scientific community during the past three weeks. He agreed that there has never been a lack of enthusiasm about the project which stands for so many good things and which will bring in so many excellent people. He expects the project to eventually draw other major companies to the County. He remarked further on the excitement generated by the idea of collaboration in research opportunities between ABBI (Arizona Bioscience & Biomedicine Institute), IGC (International Genomic Consortium), and MIHS (Maricopa Integrated Health Systems) in solving major health concerns of the population.

He reiterated the concern of financial crises for the County and said that estimates of loss from sales tax revenues will be between \$15 and \$16 million by year-end, as it is already down \$11 million. He stated, "We have a health system that is losing money for the first time in a number of years, which is conservatively estimated to be at least \$5 million. In addition, there won't be enough new revenue coming in next year to meet the fixed increases and expenses in our budget. It is a very difficult time for the County to take on such a large new commitment and that is why there has been such a struggle in making a determination on the matter."

Because of these facts, Mr. Manos recommended that the County's participation in this project not exceed \$5 million, which would be paid over a period of no less than five years. In addition, he recommended that the \$5 million payment be tied to some deliverables. He said, "No detailed business

plans have been prepared on this project as yet, but I would like to tie payment of these monies to some specific measurements - beginning with a business plan." He asked for authority to negotiate an agreement that would release needed funds to further this undertaking and, "at the same time, protect County resources so that County assets are not at risk. It is important to detail how this \$5 million would be spent." He noted that as this moves forward, Maricopa County needs to be a "player in this process that maintains consistent oversight, with access to financial statements and performance measurements."

Chairman Stapley asked Scott Celley, Governor's Office, to share his perception of the County's ability to have a role in the oversight process. Mr. Celley remarked that he felt this would be possible and was sure that other parties who become involved would expect the same rights as, "this is a public venture in many respects, and especially so at the outset." He reported that there is an expectation of high-end jobs related to research and experimentation. He also maintained that the discovery of key health solutions will act as a magnet to draw more of the same kinds of people and opportunities to the Valley, in terms of education, additional job creation and future development.

Tom Manos said that the biggest challenge for Maricopa County is waiting to see how the State's 2003 budget will impact the County budget. He said, "Our analysis shows that the push-down in cost to the County could be as high as \$27 million. It is our hope that as we are a good partner in this project with Phoenix and the State, we can count on their support to be good partners in return when we try to work out a solution that is fair to Maricopa County's future stability and well being."

Chairman Stapley remarked that the State has a bigger financial problem than the County's and asked Mr. Celley how the Governor justified the State's proposed investment in this project in light of a billion-dollar shortfall.

Mr. Celley replied that he first wanted to affirm that the fiscal recovery Maricopa County has made over the past eight to ten years, and the reputation the County has recently established for its financial solvency and practices is exemplary, not only in Arizona but nationally. He said he wanted to emphasize that this has not been overlooked. He acknowledged that this long struggle and hard-won success has appropriately positioned the Board's reaction in approaching any involvement in the Genome project, without some safeguards being in place, as one of caution. He stated that the Governor's Office has just received revenue reports that show an even deeper shortfall for the next fiscal year than the previously projected \$970 million deficit. He said, "All of the numbers are down below even the revised projections. It is a very difficult, if not the worst-ever, situation financially for the State. At the same time, everybody that has been a party in considering this proposition believes that we need to go forward and do it because it's a once in a lifetime opportunity." He urged everyone to work together to find creative ways to come up with the necessary funds and indicated that the Governor had remarked that the County's suggestion of ABBI's interim use of the state-of-the-art lab facilities in the new Medical Examiner's building is "the kind of very specific and direct contribution that will help to pull this together."

Chairman Stapley referred to a letter received from Dr. Keen, Chief Medical Examiner, and said, "In addition to the monetary contribution I'd like to include in our offer the space that Mr. Celley alluded to."

David Smith explained that the total 63,000 square feet in the new Forensic Science Complex would not be fully utilized for a period of time. He read from a memo he'd recently received from Dr. Keen, Chief Medical Examiner, and had forwarded to the Supervisors, outlining: an offer to cooperate in an interim sharing of

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approximately 1,500 square feet of lab space where some of it could "be built to suit" IGC needs, and also approximately 1,000 square feet of office space. This space would be available for use by September 2002.

Chairman Stapley said that one reason this could be beneficial is that certain DNA work is already in process in the County's lab that could possibly be synergistic to Genome's efforts along the same lines. "This is something we need to explore and something we would make available to ABBI as part of the package we are considering."

Tom Manos said he had toured the new forensics building and said, "it is state-of-the-art. It's a beautiful facility and I would like to offer to Dr. Berens and whoever else is interested to let them take a good look at it. I think they will be very impressed."

Supervisor Wilson said, "I don't know how many times I've heard, 'this is a once in a lifetime deal' in my lifetime, and I mean no disrespect by that. But, this isn't an easy decision for me. The enthusiasm and electricity that gets involved when a new project is being considered is why things happen! But if things don't turn out the way we expect then everybody runs for cover, so to speak." He did not want this investment "to jeopardize our operation, our employees, or our hospital. There isn't any way I could do this and then have to go tell them 'no'." He said he agreed with moving forward on this, although with some reluctance.

Supervisor Wilcox said, "The in-kind contribution that the County is putting on the table is tremendous. It's infrastructure that's already there and can be built-out immediately, plus it fulfills a part of the Downtown Partnership and Alliance dream that we keep it in the center of Maricopa County, and all Maricopa County can share in it." She agreed that this was not an easy decision to make. "But," she said, "we are elected by people who expect us to plan for the future of Maricopa County and in my eyes I've always looked at jobs as safeguarding the economy, for our children and our grandchildren and for the long-range best interests of the County. This is a tremendous opportunity for high-paying jobs, but it will also introduce a scientific environment that will benefit our schools and our whole business atmosphere for years to come." She said she is ready to move forward with this proposal with the qualifiers that were mentioned, "that we be a part of it, that it has a good financial plan and if it doesn't work we are held harmless." She said she will put forth a motion to accept what is being recommended and will specifically ask that the in-kind space offered by Dr. Keen be a part of the proposal.

Supervisor Brock said he still had a lot of questions and was uncomfortable at the suddenness of the decision-making mandate and also with the funding-apparatus that was suggested. He would like additional private funding. He indicated that he felt it held world-class potential and was for a good cause but said the timing couldn't be worse. He wanted to know details of the business plan and who would put it together.

Tom Manos said the IGC portion anticipates a substantial private investment and the five-year budget for that is in the \$10 to \$20 million range. The planners expect contributions from pharmaceutical companies to be in the \$40 million range.

In response to a question, Tom Manos said that at this early time Dr. Berens and Dr. Trent are the two principals who are promoting this project for the Valley and whether they would become officers in ABBI is unknown. He indicated that it was still too early to know the names of any other scientists who might later join them. He said that a Board of Directors and a Committee of Scientific Advisors to IGC has been named and that he had the names and resumes of those individuals if the Board wanted a copy of them.

Chairman Stapley said that the concept is, "The commitment comes first, your work follows quickly." He asked when a commitment could be expected and the ABBI and IGC decision forthcoming. Dr. Berens said that a formal proposal to approve Dr. Trent as chief scientific officer of ABBI will be made by the first of June. "We anticipate a final decision on the location chosen no later than 60 days after that date."

Chairman Stapley said that the County's level of commitment is subject to the award. Once the award has been granted our commitment will be solidified and Tom Manos will be negotiating between now and then on these benchmarks and issues relating to additional detail.

Discussion ensued with Dr. Berens on some specifics that he is now aware of and could relate, as follows:

- There are approximately 225 ABBI jobs, 70 administrative and the rest scientists at the junior and senior scientific level – all would be very high profile.
- IGC would employ 45-60 people.
- Other DNA researchers would be very interested in coming to Phoenix if Dr. Trent heads this up.
- ABBI is not yet incorporated and critical information is still being amassed at high levels.
- There is a 70% or better expectation of Dr. Trent's accepting. He indicated that Dr. Trent is "not driven by a golden egg" and could be earning three-times more money in private enterprise.
- The County's involvement conveys that there is a broad-based enthusiasm for this which makes it worth much more than just the dollars pledged.
- Some scientists who come would be employed by the Universities to teach, and also be on the ABBI staff.

When asked by Supervisor Brock what would happen if Dr. Trent declined or was unable to accept this position, Dr. Berens replied that Dr. Trent was an outstanding scientist and person but he has some competition and there are others who would be eager to come and fill that position because of its innovative status. He continued, "It would be a loss if he doesn't come, but not an insurmountable one because the infrastructure being developed for this is very strong and robust."

Scott Celley agreed with this, saying, "there are other scientists who would love to seize this opportunity."

Tom Manos responded to a question by saying that in the first five years the revenue for ABBI would mostly come from research awards and grants and it would increase very slowly from about \$6 million in the first year to perhaps \$26 million by the fifth year. The PriceWaterhouse study was discussed and Dr. Berens said that it had been extremely conservative in its projections and that any scientist would feel personally unfulfilled if he couldn't land the grants and research awards he'd been used to getting. He feels that the PriceWaterhouse research needs to be revised to look more seriously into this whole picture, "because they don't know the climate in the southwestern United States for such opportunities as this."

Pat Grady, City of Phoenix, reminded all present that IGC and ABBI are two separate projects and the \$120 million that has been mentioned relates specifically to ABBI. With respect to IGC, he indicated that they are looking for contributions with respect to land and buildings, and Phoenix is proposing to provide the land and

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to build the building and subsidize the debt service during the early years when cash flow would be more difficult for them. In addition, Phoenix is proposing that the City and County each provide \$5 million for operating expenses. Mr. Grady said that those are their needs. Over and above that they are looking to the pharmaceutical companies to provide additional funding. He indicated that the Phoenix City Council has already authorized \$15 million and it's expected that another \$5 million will be added.

Tom Manos said it would probably be known by May 15 if IGC has committed to coming to Maricopa County. He said he would focus any contract on protecting the County's investment by tying payments to very specific measurables such as the presentation and acceptance of a detailed business plan. He would also want to include the commitment of a certain level of grant or research awards to assure that this would be ongoing. He would also try to build a collaboration of the County's medical facilities into the contract. These things would all have to be negotiated.

Chairman Stapley said he views this project as an opportunity for Maricopa County to lead in a significant way. "The State has taken a position, the City of Phoenix has taken a position, the private sector has taken a position and we would be taking a position that this is an opportunity to lead the nation with a research project that could revolutionize medicine as we know it." He said that visionary people are involved in this and that he is looking forward to visiting with Dr. Trent during his visit here the week of April 8th. He stated that he is proud that the City, County, State and private sector are all combining their efforts to have Arizona government lead the nation in this revolutionary way. However, he said that for him the decision is particularly difficult because of his respect for the OMB staff and David Smith, who are strongly advising caution.

Motion was made by Supervisor Wilcox, seconded by Supervisor Wilson, and unanimously carried (4-0-1) to approve a contribution of \$5 million to the Genome project, payable over a five year period, to include an interim use of approximately 2,500 square feet of laboratory and office space in the new Forensic Science Complex, all contingent upon Board of Supervisors approval of a contract detailing measurable goals, detailed business plans, organizational governance and in-kind contributions.

MEETING ADJOURNED

There being no further business to come before the Board, the meeting was adjourned.

Don Stapley, Chairman of the Board

ATTEST:

Fran McCarroll, Clerk of the Board